UNITED STATES BANKRUPTCY COURT
FOR THE MIDDLE DISTRICT OF PENNSYLVANIA

IN RE:	)	**Chapter 11**
UNITED GILSONITE LABORATORIES, A PENNSYLVANIA CORPORATION,[1]	)	**Case No. 5:11-bk-02032 (RNO)**
REORGANIZED DEBTOR.	)	

ANNUAL REPORT, FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS OF THE UNITED GILSONITE LABORATORIES ASBESTOS PERSONAL INJURY TRUST FOR THE FISCAL YEAR ENDED DECEMBER 31, 2018

Alan B. Rich, the Trustee of the United Gilsonite Laboratories Asbestos Personal Injury Trust (the "UGL Trust"), created pursuant to the Modified First Amended Plan of Reorganization of United Gilsonite Laboratories Under Chapter 11 of the Bankruptcy Code dated as of September 30, 2014 (the "Plan"),[2] submits this Annual Report, Financial Statements and Results of Operations of the United Gilsonite Laboratories Asbestos Personal Injury Trust for the Fiscal Year Ended December 31, 2018.[3]

[1] The last four digits of the Debtor's federal tax identification number are 7530.

[2] Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Plan.

[3] Pursuant to the Final Decree and Order Closing the Chapter 11 Case of United Gilsonite Laboratories (Docket No. 2402), the Clerk of the Court shall not refuse to accept for filing any report submitted by the Trustee for the UGL Trust on the grounds that the Chapter 11 Case is closed.

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I. General

On March 23, 2011, United Gilsonite Laboratories filed a voluntary petition for relief under Chapter 11, Title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Middle District of Pennsylvania (the "Bankruptcy Court"). On December 8, 2014, the Bankruptcy Court entered the Findings of Fact, Conclusions of Law, and Order Approving Exit Facility and Confirming the Modified First Amended Plan of Reorganization of United Gilsonite Laboratories Under Chapter 11 of the Bankruptcy Code (the "Confirmation Order"), which confirmed the Plan of the above-referenced debtor. On December 8, 2014, the United States District Court for the Middle District of Pennsylvania entered its Order Under 11 U.S.C. § 524(g)(3)(A) Affirming Bankruptcy Court's Confirmation of Chapter 11 Reorganization Plan and Issuance of Channeling Injunction affirming the Confirmation Order.

Pursuant to the Plan, the UGL Trust was established on December 31, 2014 (the "Effective Date").

Pursuant to the Plan, Beth Gori, Ethan Early, Joseph Belluck, Jonathan Ruckdeschel, and John P. Comerford are the members of the Trust Advisory Committee ("TAC") and James L. Patton is the Future Claimants' Representative ("FCR").

II. Trust Claims

Section 2.2(b) of the United Gilsonite Laboratories Asbestos Personal Injury Trust Agreement (the "Trust Agreement") requires the Trustee to account to the Bankruptcy

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Court and file an annual report containing financial statements of the UGL Trust and a summary of the number and type of claims disposed of by the UGL Trust during the period covered by the financial statements.

The UGL Trust through its claims processing facility—Claims Processing Facility, Inc.—began accepting Trust Claims on December 17, 2015. From inception of the UGL Trust through the period ending December 31, 2018, 3,376 Trust Claims have been submitted to the UGL Trust, including 461 Trust Claims submitted in 2018, as follows:

Disease Level	**Claims submitted from Trust's inception through 12/31/18**	**Claims submitted in 2018**
Mesothelioma (Level VIII)	1,157	301
Lung Cancer 1 (Level VII)	1,505	116
Lung Cancer 2 (Level VI)	163	27
Other Cancer (Level V)	53	4
Severe Asbestosis (Level IV)	280	4
Asbestosis/Pleural Disease (Level III)	52	4
Asbestosis/Pleural Disease (Level II)	166	5
Other Asbestos Disease (Level I)	0	0
Total:	**3,376**	**461**

Of the 3,376 Trust Claims submitted to the UGL Trust, the UGL Trust has not approved 2,910 claims, including rejected claims, claims with uncured deficiencies, and

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withdrawn and deferred claims. As of December 31, 2018, the UGL Trust has paid a total of 436 Trust Claims. In 2018, the Trust liquidated and paid 130 Trust Claims, totaling $2,863,443, after application of the Payment Percentage.[4]

Under Section 4.3 of the Trust Agreement the Trust reports payments for Trust Expenses. The Trust's operating expenses are listed in the Special-Purpose Statements of Changes in Net Claimants' Equity. *See* Exhibit A attached hereto at page 4.

III. Compensation and Expenses of the Trustee, TAC and FCR.

Under Section 5.5(d) of the Trust Agreement, the UGL Trust reports to the Bankruptcy Court the amount of compensation and expenses paid to the Trustee and the Delaware Trustee. The Trustee and the Delaware Trustee received compensation and reimbursement for out-of-pocket expenses during the period from January 1, 2018 through December 31, 2018 as set forth in the Special-Purpose Statements of Changes in Net Claimants' Equity.

Under Section 6.6 of the Trust Agreement, the Trustee reports to the Bankruptcy Court the amount of compensation and expenses paid to the TAC and its counsel. The TAC and its counsel received compensation and reimbursement for out-of-pocket expenses during the period from January 1, 2018 through December 31, 2018 as set forth in the Special-Purpose Statements of Changes in Net Claimants' Equity.

Under Section 7.6 of the Trust Agreement, the Trustee reports to the Bankruptcy Court the amount of compensation and expenses paid to the Future Claimants' Representative (the "FCR") and his counsel. The FCR and his counsel received compensation and reimbursement

[4] Trust Claims paid by the Trust in 2018 are reported herein on a cash basis.

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for out-of-pocket expenses during the period from January 1, 2018 through December 31, 2018 as set forth in the Special-Purpose Statements of Changes in Net Claimants' Equity.

IV. Financial Statements

A copy of the UGL Trust's audited financial statements as of December 31, 2018 and for the period January 1, 2018 to December 31, 2018, including Special-Purpose Statements of Net Claimants' Equity as of December 31, 2018, and Special-Purpose Statements of Changes in Net Claimants' Equity for the Period from January 1, 2018 through December 31, 2018, is attached hereto as Exhibit "A".

The Trustee provided copies to the TAC and the FCR through their counsel on April 24, 2019.

Respectfully submitted,

Dated: April 24, 2019

BERNSTEIN-BURKLEY, P.C.

By: */s/ Robert S. Bernstein*

Robert S Bernstein (Pa. Bar. No. 34308)
707 Grant St.
Suite 2200 Gulf Tower
Pittsburgh, PA 15219
Telephone: (412) 456-8101
Facsimile: (412) 456-8135
rbernstein@bernsteinlaw.com

and

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STUTZMAN, BROMBERG, ESSERMAN & PLIFKA, A Professional Corporation

Sander L. Esserman (Tex. Bar No. 06671500)
Andrea L. Ducayet (Tex. Bar No. 24032790)
2323 Bryan Street, Suite 2200
Dallas, TX 75201
Telephone: 214-969-4900
Facsimile: 214-969-4999
esserman@sbep-law.com
ducayet@sbep-law.com

COUNSEL FOR THE UNITED GILSONITE LABORATORIES ASBESTOS PERSONAL INJURY TRUST

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EXHIBIT A

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UNITED GILSONITE LABORATORIES
ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Financial Statements
and
Report of Independent Auditors

Years Ended December 31, 2018 and 2017

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UNITED GILSONITE LABORATORIES
ASBESTOS PERSONAL INJURY TRUST

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SOWAN HORAN
ACCOUNTANTS CONSULTANTS

15301 Dallas Parkway
Suite 960
Addison, Texas 75001
MAIN 214 545 3965
FAX 214 545 3966
www.bkmsh.com

REPORT OF INDEPENDENT AUDITORS

To the Trustee of
United Gilsonite Laboratories Asbestos Personal Injury Trust

We have audited the accompanying special-purpose financial statements of the United Gilsonite Laboratories Asbestos Personal Injury Trust (organized in the State of Delaware), which comprise the special-purpose statements of net claimants' equity as of December 31, 2018 and 2017, and the related special-purpose statements of changes in net claimants' equity for the years then ended, and the related notes to the special-purpose financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the special-purpose basis of accounting; this includes determining that the special-purpose basis of accounting is an acceptable basis for the preparation of the financial statements in these circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the special-purpose financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these special-purpose financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the special-purpose financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the special-purpose financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the special-purpose financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the special-purpose financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the special-purpose financial statements referred to above present fairly, in all material respects, the net claimants' equity of the United Gilsonite Laboratories Asbestos Personal Injury Trust as of December 31, 2018 and 2017, and the changes in net claimants' equity for the years then ended in conformity with the special-purpose basis of accounting.

Emphasis of Matter

We draw attention to Note 2 of the special-purpose financial statements, which describes the basis of accounting. The financial statements are prepared on a special-purpose basis of accounting and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America. The special-purpose basis of accounting has been used in order to present the amount of equity presently available to current and future claimants to the Trust. Our opinion is not modified with respect to this matter.

Restriction on Use

This report is intended solely for the information and use of the management of the Trust, the Trustee, the beneficiaries of the Trust and the United States Bankruptcy Court for the Middle District of Pennsylvania and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which, upon filing with the United States Bankruptcy Court for the Middle District of Pennsylvania, is a matter of public record.

BKM Sowan Horan, LLP

Addison, Texas
April 22, 2019

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UNITED GILSONITE LABORATORIES
ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Statements of Net Claimants' Equity

	December 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents		
Unrestricted	$ **1,123,704**	$ 2,341,984
Restricted	**27,400**	47,350
Investments in marketable securities and certificate of deposit	**24,399,137**	26,928,948
Accrued interest and dividend income	**232,129**	256,364
Purchased interest	**-**	3,542
Prepaid expenses	**98,760**	97,803
Total assets	$ **25,881,130**	$ 29,675,991
LIABILITIES AND NET CLAIMANTS' EQUITY		
Accrued expenses	$ **52,131**	$ 37,693
Accrued payments to claimants	**444,961**	373,322
Claims processing deposits	**27,400**	47,350
Payable on pending investment purchases	**-**	24,244
Deferred tax liability	**-**	78,713
Total liabilities	**524,492**	561,322
Net claimants' equity	$ **25,356,638**	$ 29,114,669

See accompanying notes to special-purpose financial statements.

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UNITED GILSONITE LABORATORIES
ASBESTOS PERSONAL INJURY TRUST

Special-Purpose Statements of Changes in Net Claimants' Equity

	Years ended December 31,	
	2018	2017
Net Claimants' Equity, Beginning of Year	**$ 29,114,669**	$ 30,073,621
Additions		
Interest and dividend income - marketable securities	**1,190,567**	983,495
Net income tax benefit	**78,713**	-
Net gain on investments in marketable securities, net of management fees, custody fees and bond amortization	**-**	807,979
Interest income - United Gilsonite Laboratories - Promissory Note receivable	**-**	176,215
Filing fees collected on withdrawn claims and other	**29,600**	2,600
Total additions	**1,298,880**	1,970,289
Deductions		
Payments to Claimants	**2,935,082**	2,316,732
Net loss on investments in marketable securities, net of management fees, custody fees and bond amortization	**1,600,719**	-
Legal fees	**123,721**	160,354
Trustee fees and expenses	**111,157**	118,702
Trustee annual fee	**78,750**	75,000
Accounting fees	**59,557**	45,654
Future Claimants' Representative fees and expenses	**40,505**	25,936
Insurance expense	**22,803**	23,988
Financial consulting fees	**20,000**	20,000
Audit fees	**18,834**	14,433
Consulting fees	**14,562**	18,884
Trust Advisory Committee member fees and expenses	**14,112**	11,956
Claims processing fees	**6,994**	9,773
Foreign taxes paid	**4,856**	4,026
Delaware Trustee fees and expenses	**4,000**	4,000
Miscellaneous expenses	**1,259**	1,090
Net income tax expense	**-**	78,713
Total deductions	**5,056,911**	2,929,241
Net Decrease in Net Claimants' Equity	**(3,758,031)**	(958,952)
Net Claimants' Equity, End of Year	**$ 25,356,638**	$ 29,114,669

See accompanying notes to special-purpose financial statements.

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Note 1 - Nature of Trust

Description of Trust

The United Gilsonite Laboratories Asbestos Personal Injury Trust (the "Trust") was established in accordance with the modified First Amended Plan of Reorganization (the "Plan"), under Chapter 11 of the United States Bankruptcy Code, of United Gilsonite Laboratories ("UGL"). The purpose of the Trust is:

- to assume the liability for all Trust Claims asserted against the Asbestos Protected Parties;
- to preserve, hold, manage, and maximize the Trust assets for use in paying and otherwise satisfying Trust Claims and paying Trust Expenses;
- to direct the processing, liquidation and payment of Trust Claims in accordance with the Trust Distribution Procedures ("TDP"); and
- to otherwise comply in all respects with the requirements for a trust set forth in Section 524(g)(2)(B) of the Bankruptcy Code, all in accordance with the Plan and the Trust Agreement.

The Trust was established on December 31, 2014, the Effective Date of the Plan ("Effective Date"), and is a Qualified Settlement Fund under Internal Revenue Code Section 468B for holders of asbestos personal injury claims ("Qualified Settlement Fund"). The Trust operates as the United Gilsonite Laboratories Asbestos Personal Injury Trust.

Pursuant to the Plan, UGL paid $11,000,000 of company cash and $6,036,880 of shareholder cash, for a total cash contribution of $17,036,880, at formation of the Trust. In addition, the Trust received from UGL a Promissory Note receivable in the amount of $7,250,000 and a Shareholder Promissory Note receivable in the amount of $375,000. The Promissory Note receivable was paid in full on May 5, 2017. See Note 3. The Shareholder Promissory Note receivable was paid in full on January 2, 2015. Also, UGL transferred its rights under insurance policies to the Trust in the amount of $10,355,835.

The Trust is governed by a Trust Agreement and TDP that establish the framework and criteria for allowance and payment of Claims by the Trust. The Trust Agreement and TDP were approved by the United States District Court as part of the Plan. There are eight disease levels specified in the TDP. Each claimant who meets the medical and exposure requirements of the TDP for a particular disease level may apply for expedited review and a specified payment amount.

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Note 1 - Nature of Trust – (Continued)

Description of Trust – continued

Claimants for certain disease levels also have an alternative, under the TDP, to submit additional documentation and request a more expansive review of their Claim (Individual Review Process) in which these case claims may be paid within a range of amounts.

The Trust's assets consist primarily of cash and cash equivalents, investments in marketable securities, a certificate of deposit and a Promissory Note receivable, which, with the earnings (or losses) on such investments, are intended to be totally consumed by the allowance and payment of claims and operation of the Trust. The percentage amount of each allowed claim that will actually be paid will be determined by projections of total allowed Claims and operational expense of the Trust, on the one hand, and total assets and net earnings (or losses), on the other. The Trust began accepting claims in paper format on December 17, 2015, and online using the e-File system on March 17, 2016. The Trust began paying claims in June 2016. The initial payment percentage has been set at 11% and is subject to periodic review and adjustment. The Trustee is a fiduciary to the beneficiaries of the Trust and is responsible for administering the Trust and the Trust's assets in accordance with the Trust Agreement and the Plan.

Termination

The Trust Agreement (Section 8.2) provides that the Trust shall automatically dissolve on the date (the "Dissolution Date") ninety (90) days after the first to occur of the following events:

- The date on which the Trustee decides to dissolve the Trust because (A) the Trustee deems it unlikely that any new Trust Claims will be filed against the Trust , (B) all Trust Claims duly filed with the Trust have been liquidated and, to the extent possible based upon the funds available to the Trust through the Plan, paid to the extent provided in the Trust Agreement and TDP, or have been disallowed by a final, non-appealable order, and (C) twelve (12) consecutive months have elapsed during which no new Trust Claim has been filed with the Trust;

- If the Trustee has procured and has in place irrevocable insurance policies and have established claims handling agreements and other necessary arrangements with suitable third parties adequate to discharge all expected remaining obligations and expenses of the Trust in a manner consistent with the Trust Agreement and the TDP, the date on which the Bankruptcy Court enters an order approving such insurance and other arrangements and such order becomes a final order; or

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Note 1 - Nature of Trust – (Continued)

Termination – continued

- To the extent that a rule against perpetuities shall be deemed applicable to the Trust, that date which is twenty-one (21) years less ninety-one (91) days pass after the death of the last survivor of all the descendants of the late Joseph P. Kennedy, Sr., father of the late President John F. Kennedy, living on the date hereof.

On the Dissolution Date or as soon as reasonably practicable, after the wind-up of the Trust's affairs by the Trustee and payment of all the Trust's liabilities have been provided for as required by applicable law, all remaining assets shall be applied to such charitable purposes, if practicable, which shall be related to the treatment of, research on, or the relief of individuals suffering from asbestos related disorders and such charitable organizations should not have any relationship with UGL.

Following the dissolution and distribution of the assets of the Trust, the Trust shall terminate and the Trustee shall execute and file a Certificate of Cancellation.

Note 2 - Summary of Significant Accounting Policies

Basis of accounting

The Trust's special-purpose financial statements are prepared using special-purpose accounting methods that differ from accounting principles generally accepted in the United States of America (GAAP). The special-purpose accounting methods are being used to better communicate the equity available to satisfy current and future claims. Since the accompanying special-purpose financial statements and transactions are not based upon GAAP, accounting treatment by other parties for these same transactions may differ as to timing and amount. These special-purpose accounting methods and the differences from GAAP are summarized as follows:

- The special-purpose financial statements are prepared using the accrual basis of accounting, except as otherwise described herein.
- The statement of net claimants' equity is not classified, resulting in no separation between current and noncurrent assets.
- These special-purpose financial statements do not include a statement of cash flows.
- Cash and cash equivalents are recorded at cost with accrued interest shown separately.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Basis of accounting - continued

- The funding received from UGL and insurance settlements has been recorded directly to net claimants' equity. These funds do not represent taxable income to the Trust. Payments to Claimants are reported as deductions from net claimants' equity and do not represent tax-deductible expenses of the Trust.

- At December 31, 2018 and 2017, the liability for accrued payments to claimants reflected in the statements of net claimants' equity represents unpaid outstanding and accepted offers. No liability is recorded for future claims filings and filed claims on which no offer has been made. Net claimants' equity represents funding available to pay present and future claims on which no liability has been recorded.

- The Trust's investments in marketable securities are considered as available for sale. The unrealized holdings gains (losses) on these investments are included in net gain or loss on investments in marketable securities, net of management fees, custody fees and bond amortization on the accompanying statement of changes in net claimants' equity. Under GAAP, the unrealized holding gains (losses) on available for sale investments would be included as a component of net claimants' equity reported as accumulated other comprehensive income (loss).

Use of estimates

The preparation of special-purpose financial statements in conformity with the special-purpose accounting method requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the special-purpose financial statements and the reported amounts of additions and deductions to net claimants' equity during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of financial instruments and current and deferred income tax expense. Actual results could differ from those estimates.

Financial instruments

The Trust's financial instruments are cash and cash equivalents, accrued interest and dividend income, investments in marketable securities, a certificate of deposit, and accrued expenses. The carrying amount of cash and cash equivalents, accrued interest and dividend income and accrued expenses approximate their fair values based on their short-term nature. The carrying amount of investments in marketable securities and certificate of deposit is based on fair value.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Cash and cash equivalents

The Trust considers all highly liquid debt instruments purchased with an original maturity value of three months or less to be cash equivalents. Cash and cash equivalents at December 31, 2018 and 2017, are as follows:

	2018	2017
Money market funds		
PNC Bank government fund	$ 58,060	$ 1,317,843
BBVA Compass Bank	1,030,952	1,016,731
Filing fee account	34,692	7,410
Total	$ 1,123,704	$ 2,341,984

At December 31, 2018 and 2017, restricted cash represents filing fees received from claimants, which will be refunded if the claim is accepted and retained by the Trust if the claim does not qualify for payment.

Concentrations of credit risk

Financial instruments, which potentially subject the Trust to concentrations of credit risk, consist primarily of cash and cash equivalents, investments in marketable securities, and a certificate of deposit. The Trust maintained a portion of its cash and cash equivalents in accounts that are not federally insured but considers them to be of high credit quality. The Trust has not experienced any losses in such accounts, and it does not believe it is exposed to any significant credit risk.

The Trust's investments are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with investments, it is at least reasonably possible that significant changes in risks in the near term may materially affect the amounts reported in the financial statements. However, the Trust has a formal investment policy of placing investments in high-quality financial institutions.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Investments in marketable securities and related income

Investments in marketable securities are reported at fair value in the special-purpose statement of net claimants' equity and changes in the fair value of investments, as well as realized gains and losses are included in net gain or loss on investments in marketable securities, net of management fees, custody fees and bond amortization reported in the special-purpose statements of changes in net claimants' equity. All marketable securities are deemed by management to be available for sale and are reported at fair value with net holding unrealized gains or losses reported within net claimants' equity. Purchases and sales of marketable securities are recorded on the trade date.

Realized gains and losses on disposals of investments are determined by the specific identification method. Interest and dividend income are recognized on the accrual basis. For the years ended December 31, 2018 and 2017, respectively, investment management fees of $28,225 and $28,349, custody fees of $250 and $250 and bond amortization of $422,620 and $397,072, are included in net gain or loss on investments in marketable securities, net of management fees, custody fees and bond amortization in the accompanying statements of changes in net claimants' equity.

Investments considered to be permanently impaired in value are written down to their estimated net realizable value and the write down is recorded as a realized loss on investments. Unrealized losses that are other-than-temporary based upon management's estimates using quantitative and qualitative criteria are recognized as realized investment losses. Actual results could differ from those estimates.

Claims processing deposits

Claims processing deposits represent filing fees collected for each unliquidated claim, which will be refunded by the Trust if the claim is paid.

Net claimants' equity

The Trust, under the adopted special-purpose accounting convention, does not record the liability for future claims expected to be filed over the life of the Trust. The net claimants' equity is available for (i) the payments of allowed asbestos-related claims and (ii) operational expenses of the Trust.

Income taxes

Deferred tax assets and liabilities are recorded based on temporary differences between the carrying amounts of assets and liabilities for financial reporting and income tax purposes using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. A valuation allowance is established when it is likely that the deferred tax assets may not be realized.

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Note 2 - Summary of Significant Accounting Policies – (Continued)

Income taxes – continued

No provision for state taxes was recorded because, as a Delaware trust, the Trust has no state income tax return filing obligation and is not obligated to pay state income taxes. Funds received by the Trust from UGL and from insurance settlements and disbursements paid to settle asbestos claims are not taxable or deductible by the Trust.

The Trustee's estimate of the potential outcome of any uncertain tax issues is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Trust uses a more likely than not threshold for financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return. To the extent that the Trustees' assessment of such tax position changes, the change in estimate is recorded in the period in which the determination is made. The Trust reports tax-related interest and penalties as a component of income tax expense and operating expenses, respectively. The Trust has no unrecognized tax benefits.

Reclassifications

Certain prior year amounts have been reclassified for consistency with the current year presentation. Certain legal fees were reclassified to Trust Advisory Committee member fees and expenses and Future Claimants' Representative ("FCR") fees and expenses. Certain consulting fees were reclassified to FCR fees and expenses. These reclassifications had no effect on the previously reported net decrease in net claimants' equity.

Subsequent events

The Trust has evaluated events and transactions subsequent to the date of the financial statements for matters requiring recognition or disclosure in the special-purpose financial statements. The accompanying special-purpose financial statements consider events through April 22, 2019, the date on which the financial statements were available to be issued.

Note 3 - Promissory Note Receivable

Pursuant to the Plan, UGL contributed a Promissory Note in the amount of $7,250,000, with a maturity date of December 31, 2034. The note bore interest at 7.0% and was payable quarterly on March 30, June 30, September 30 and December 31 of each year. Principal payments were due to begin on March 30, 2026. The note was secured by all assets of UGL.

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Note 3 - Promissory Note Receivable – (Continued)

On May 5, 2017, the note was paid in full and the Trust received $7,300,750, which included the principal balance of $7,250,000 and accrued interest of $50,750.

Note 4 - Investments in Marketable Securities and Certificate of Deposit

Fair value measurements

The Trust measures its investments, at fair value, according to a hierarchy of valuation techniques. The following are the levels of the hierarchy and a brief description of the type of valuation information ("inputs") that qualifies an investment for each level:

Level I – Quoted prices are available in active markets for identical investments as of the reporting date. The type of investments in Level I include a certificate of deposit and mutual funds.

Level II – Pricing inputs are other than quoted market prices included in Level I, however are observable indirectly for the investment. The Trust includes its municipal bonds in Level II, because these pricing inputs are indirectly evident through interest rates for commonly quoted credit risks.

Level III – Pricing inputs are unobservable for the investment and includes situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation. The Trust does not carry any Level III investments.

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Note 4 - Investments in Marketable Securities and Certificate of Deposit – (Continued)

Fair value measurements – continued

The valuations of the Trust's investments in marketable securities and certificate of deposit by the above fair value hierarchy levels and the corresponding cost of the investments as of December 31, 2018 and 2017, are as follows:

	December 31, 2018			
	Level	Market Value	Cost	Unrealized Losses
Certificate of deposit	1	$ 258,944	$ 258,944	$ -
Mutual funds – equity funds	1	5,865,136	6,040,584	(175,448)
Municipal bonds	2	18,275,057	18,422,751	(147,694)
Total		$ 24,399,137	$ 24,722,279	$ (323,142)

	December 31, 2017			
	Level	Market Value	Cost	Unrealized Gains
Certificate of deposit	1	$ 254,804	$ 254,804	$ -
Mutual funds - equity funds	1	7,177,003	6,308,214	868,789
Municipal bonds	2	19,497,141	19,458,394	38,747
Total		$ 26,928,948	$ 26,021,412	$ 907,536

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Note 4 - Investments in Marketable Securities and Certificate of Deposit – (Continued)

Fair value measurements – continued

Maturities of the Trust's debt securities at December 31, 2018 are as follows:

	Level	Market Value	Cost	Unrealized Losses
Due in one year or less	2	$ -	$ -	$ -
Due after one year through five years	2	5,218,542	5,275,571	(57,029)
Due after five years through ten years	2	7,734,620	7,778,993	(44,373)
Due after ten years through twenty years	2	5,036,112	5,076,156	(40,044)
Due after twenty years	2	285,783	292,031	(6,248)
Total		$ 18,275,057	$ 18,422,751	$ (147,694)

Note 5 - Taxation

The Trust reports its income to the Internal Revenue Service as a designated settlement fund which is taxed at the highest rate applicable to trusts under Section 1(e) of the Code, which was 37% and 39.6% at December 31, 2018 and 2017, respectively.

On December 22, 2017, Public Law No. 115-97 generally known as Tax Cuts and Jobs Act of 2017 (TCJA), was enacted into law. The TCJA included a number of changes to existing U.S. tax laws that impacted the Trust, most notably a reduction of the Trust's maximum tax rate from 39.6% to 37% and adjustments to net operating loss (NOL) carryforwards. For NOLs incurred in years beginning after December 31, 2017, the NOLs will be limited to 80% of modified taxable income without expiration. NOLs generated prior to January 1, 2018 will carry forward 20 years under pre-TCJA law. In accordance with Accounting Standard Codification 740, "Income Taxes", the impact of change in tax law is recorded in the period of enactment. As a result of TCJA, the Trust revised the deferred tax assets as required due to changes in the statutory rate.

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Note 5 - Taxation – (Continued)

The Trust's federal income tax expense (benefit) is calculated as follows:

	Years Ended December 31,	
	2018	2017
Modified taxable loss	$ **(79,386)**	$ (231,385)
Tax rate	**37.0%**	39.6%
Federal income tax benefit	**(29,373)**	(91,628)
Deferred income tax benefit on rate changes	**-**	(5,532)
Utilization of capital loss carryforward	**-**	34,305
Deferred federal income tax expense (benefit)	**(455,351)**	476,881
Change in valuation allowance	**406,011**	(335,313)
Net income tax expense (benefit)	$ **(78,713)**	$ 78,713

Temporary differences between financial reporting income and taxable income generate deferred tax assets and liabilities, as follows:

	Years Ended December 31,	
	2018	2017
Net operating loss carryforward	$ **286,448**	$ 257,075
Unrealized (gain) loss on investments	**119,563**	(335,788)
Valuation allowance	**(406,011)**	-
Net deferred tax liability	$ **-**	$ (78,713)

At December 31, 2018, the Trust had approximately $774,100 of net operating loss carryforwards, with $694,800 expiring in years 2034 through 2037 and $79,300 having no expiration date. The amount of income taxes the Trust pays is subject to ongoing audits by federal authorities.

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Note 6 - Trust Advisory Committee and Future Claimants' Representative

The Trust Agreement sets forth the role and responsibility of the Trust Advisory Committee ("TAC") and Future Claimants' Representative ("FCR"). The members of the TAC serve in a fiduciary capacity representing all holders of present Asbestos Claims ("Current Claimants"). The Trustee is required to consult with or obtain the consent of the TAC on certain matters identified in the Trust Agreement and the TDP. The TAC is comprised of five attorneys who are engaged by Current Claimants.

The FCR serves in a fiduciary capacity, representing the interests of the individuals who may file an Asbestos Claim in the future, but who at this time are unknown to the Trust (Future Asbestos Claimants). His role, in part, is to protect rights of the Future Asbestos Claimants. The Trustee is required to consult with or obtain the consent of the FCR on certain matters identified in the Trust Agreement and the TDP.

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